

Message Text

SECRET

PAGE 01 SECTO 13016 301418Z
ACTION NODS-00

INFO OCT-01 ISO-00 /001 W
-----040218 301421Z /47
O 301304Z DEC 77 ZFF-6
FM USDEL SECRETARY IN WARSAW
TO AMEMBASSY BONN IMMEDIATE
INFO SECSTATE WASHDC IMMEDIATE

S E C R E T SECTO 13016

EXDIS TREAT AS NODIS

PASS NSC

E.O. 11652: XGDS-1
TAGS: OVIP (CARTER, JIMMY)
SUBJ: PRESIDENT CARTER'S LETTER TO CHANCELLOR SCHMIDT

1. FOLLOWING IS TEXT OF PRESIDENT CARTER'S LETTER TO CHANCELLOR
SCHMIDT WHICH SHOULD BE DELIVERED TO THE CHANCELLORY ASAP.
PRESUMABLY CHANCELLORY WILL FORWARD IT TO SCHMIDT.

BEGIN TEXT:

DEAR HELMUT:

I AM GRATEFUL FOR YOUR LETTER OF DECEMBER 22 AND YOUR
EXPRESSIONS OF SUPPORT.

I WHOLLY SHARE YOUR VIEW ABOUT THE IMPORTANCE OF A STRONG
DOLLAR. LIKE YOU, I WAS CONCERNED IN RECENT WEEKS ABOUT THE
POSSIBILITY THAT DISORDER IN THE FOREIGN EXCHANGE MARKETS AFFECT-
ING THE DOLLAR, THE DEUTSCHMARK, AND THE YEN MIGHT REACH PRO-
PORTIONS THAT WOULD ADVERSELY AFFECT THE WORLD ECONOMY. THESE
CONCERNS LED TO MY STATEMENT OF DECEMBER 21. IT WAS DESIGNED
TO ASSURE THE WORLD THAT THE UNITED STATES IS DEEPLY CONCERNED

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ABOUT THE VALUE OF THE DOLLAR, AND IS PREPARED TO COUNTER DIS-
ORDERLY CONDITIONS THAT MAY APPEAR IN EXCHANGE MARKETS.

I HOPE THAT MY STATEMENT HAS ELIMINATED ANY MISCONCEPTION
ABOUT U.S. POLICY. MINISTER APEL'S SUPPORTING COMMENTS WERE MOST
WELCOME. THE SUCCESS OF OUR DIPLOMATIC EFFORT TO DISSUADE OPEC
FROM INCREASING THE PRICE OF OIL HAS ALSO BEEN HELPFUL. BUT

THE PRIMARY TASKS FOR THE UNITED STATES ARE STILL AHEAD.

WE MUST OBTAIN LEGISLATION THAT WILL REDUCE OUR EXCESSIVE DEPENDENCE ON IMPORTED OIL. I WILL DO ALL I CAN TO PERSUADE THE CONGRESS TO TAKE NECESSARY ACTION AS SOON AS POSSIBLE; I AM CONFIDENT THE CONGRESS WILL RESPOND.

THE UNITED STATES WILL MEET THE GROWTH TARGETS FOR 1977 THAT I STATED AT OUR MEETING IN LONDON. THE TAX REDUCTIONS AND OTHER ECONOMIC POLICIES THAT I WILL PROPOSE IN MY MESSAGES TO THE CONGRESS IN JANUARY SHOULD ASSURE CONTINUING HEALTHY, NON-INFLATIONARY U.S. GROWTH THROUGH 1978 AND INTO 1979. WHILE SLOWER DOMESTIC GROWTH WOULD NO DOUBT REDUCE OUR TRADE DEFICIT, I DOUBT THAT IT WOULD STRENGTHEN THE DOLLAR ON THE FOREIGN EXCHANGE MARKETS; INVESTORS WILL HAVE MORE CONFIDENCE IN A DYNAMIC RATHER THAN A STAGNANT UNITED STATES. MOREOVER, AN EXPANDING U.S. ECONOMY IS NECESSARY IF WE ARE TO OVERCOME THE TWIN DANGERS OF TRADE PROTECTIONISM IN INDUSTRIAL COUNTRIES, AND LAGGING GROWTH IN DEVELOPING COUNTRIES.

IT IS IMPORTANT THAT VIGOROUS U.S. GROWTH BE MATCHED BY EXPANSION IN THE OTHER STRONG INDUSTRIAL ECONOMIES, AS WE AGREED AT LONDON, IF THE U.S. DEFICIT IS TO BE REDUCED.

I HAVE BEEN ENCOURAGED BY THE GROWTH TARGETS THAT PRIME MINISTER FUKUDA HAS SET FOR JAPAN IN 1978 AND HIS COMMITMENT TO REDUCE
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THE JAPANESE CURRENT ACCOUNT SURPLUS. HE HAS RECOGNIZED THE NEED TO PUT ASIDE TRADITIONAL LIMITATIONS ON JAPANESE GOVERNMENT BORROWING TO FINANCE A BUDGETARY DEFICIT, AND HAS SUBSTANTIALLY INCREASED THE DEGREE OF GOVERNMENTAL STIMULUS. WHETHER THESE ACTIONS WILL BE SUFFICIENT TO ENABLE JAPAN TO REALIZE ITS GOALS REMAINS TO BE SEEN, BUT THE DIRECTION IS CERTAINLY RIGHT.

I WELCOME YOUR STATEMENT THAT A HIGH RATE OF EMPLOYMENT AND REASONABLE ECONOMIC GROWTH ARE PRIORITY OBJECTIVES OF GERMAN POLICY, AND AM GLAD THAT YOU HAVE ADOPTED A MORE EXPANSIVE CREDIT AND FINANCIAL POLICY. IF IT APPEARS THAT THESE MEASURES WILL NOT HAVE THE DESIRED RESULT, IN TERMS OF DOMESTIC GROWTH OR INTERNATIONAL BALANCE, I TRUST THAT YOU WILL BE PREPARED TO CONSIDER WHETHER FURTHER STIMULUS MEASURES BY THE FEDERAL REPUBLIC WOULD BE HELPFUL. HIGHER GERMAN GROWTH IS NEEDED TO REDUCE THE PROBLEMS WE FACE IN FOREIGN EXCHANGE MARKETS, WHILE CONTRIBUTING TO THE ECONOMIC WELL-BEING OF THE ENTIRE INDUSTRIAL WORLD.

IF THE UNITED STATES CAN ADOPT A STRONG ENERGY PROGRAM, IF JAPAN CAN ACHIEVE ITS ANNOUNCED GROWTH TARGETS, AND IF THE FEDERAL REPUBLIC CAN FULFILL ITS GROWTH POTENTIAL, I AM CONFIDENT THAT THE U.S. CURRENT ACCOUNT DEFICIT WILL DECLINE AND THAT

DISORDER IN THE FOREIGN EXCHANGE MARKETS WILL SUBSIDE. WE MUST, AS YOU POINT OUT, BE CONTINUALLY ALERT TO THE DANGER OF INFLATION, WHICH COULD UNDERMINE ALL THIS GOOD WORK.

A SUCCESSFUL CONCLUSION OF THE MTN AND REFRAINING BY EUROPEAN COMMUNITY NATIONS FROM PROTECTIONIST ACTIONS WILL ALSO BE OF GREAT HELP IN ASSURING A STABLE ECONOMIC SYSTEM. I WILL BE DISCUSSING THIS WITH PRESIDENT GISCARD D'ESTAING NEXT WEEK.

I SHARE YOUR VIEWS ABOUT THE IMPORTANCE OF CONTINUED CLOSE INTERNATIONAL COOPERATION AND CONSULTATIONS ON THESE ISSUES. THE PERIODIC MEETINGS OF OUR FINANCE MINISTERS, BOTH BILATERALLY AND IN SMALL GROUPS, HAVE BEEN HELPFUL. IT IS GOOD THAT WE ARE ABLE TO COMMUNICATE WITH ONE ANOTHER DIRECTLY, BOTH BY LETTER AND SECRET

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BY PERIODIC VISITS.

MID-JULY SOUNDS FINE TO ME FOR A BONN SUMMIT. I AGREE THAT THIS DATE SHOULD NOT BE MADE PUBLIC UNTIL PREPARATORY WORK BY OUR PERSONAL REPRESENTATIVES HAS PROGRESSED FURTHER. I AM GLAD TO HEAR FROM HENRY OWEN THAT DIETER HISS WILL CALL A MEETING OF THESE REPRESENTATIVES IN BONN SOMETIME EARLY NEXT YEAR, TO START WORK ON THE SUMMIT AGENDA. I HOPE THAT WE CAN FIND A PLACE ON THE AGENDA FOR A BROAD REVIEW OF THE EUROPEAN-JAPANESE-AMERICAN RELATIONSHIP, IN ADDITION TO ADDRESSING THE SPECIFIC PROBLEMS THAT OUR COUNTRIES CONFRONT. THE FACT THAT WE HAVE SIX MONTHS IN WHICH TO PREPARE FOR THE SUMMIT SHOULD GIVE OUR REPRESENTATIVES TIME TO SEARCH OUT IMAGINATIVE APPROACHES TO THESE PROBLEMS, AS YOU SUGGESTED TO MIKE BLUMENTHAL WHEN HE WAS LAST IN BONN.

IT WAS GOOD OF YOU TO RENEW YOUR INVITATION TO VISIT GERMANY. IF THE SUMMIT IS IN JULY, I WOULD BE GLAD TO COME TWO DAYS AHEAD OF THAT MEETING FOR THE VISIT. I LOOK FORWARD VERY MUCH TO CONTINUING AND EXTENDING OUR ASSOCIATION. SINCERELY,

JIMMY CARTER.

END TEXT

2. ORIGINAL OF LETTER BEING POUCHED.
VANCE

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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Sent Date: 30-Dec-1977 12:00:00 am
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Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
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Disposition Case Number: n/a
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Disposition Remarks:
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From: SECRETARY SECTO
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Review Release Date: n/a
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